

COMPANY RESULTS

CSE Global (CSE SP)

3Q24: Results In Line; Potential Beneficiary Of More Data Centre Projects

CSE's 3Q24 revenue of S\$214m (+15% yoy) is in line with expectations, bringing 9M24 revenue to 75% of our full-year estimate. Top-line growth stemmed from higher electrification (+22% yoy), communications (+12% yoy) and automation (+7% yoy) revenue. 9M24 orderbook was healthy at S\$634m despite muted order wins in 3Q24 (-38% yoy). We remain positive on its 4Q24 order outlook with around S\$129m contract wins in Nov 24. Maintain BUY with an unchanged target price of S\$0.59.

3Q24/9M24 RESULTS

Year to 31 Dec (S\$m)	3Q24	yoy % chg	qoq % chg	9M24	yoy % chg
Revenue by Segments:	213.9	15.4	(7.6)	642.8	20.2
- Electrification	104.8	22.0	(8.9)	321.6	28.8
- Communications	61.8	12.1	3.7	175.3	8.1
- Automation	47.3	6.6	(16.6)	145.9	18.6
New orders received	186.7	(37.7)	(8.3)	565.4	(18.1)
Outstanding orders	633.6	(0.7)	(8.5)		

Source: CSE, UOB Kay Hian

RESULTS

- In line with expectations.** CSE Global's (CSE) 3Q24 revenue of S\$214m (+15% yoy, -8% qoq) is in line with expectations. Thus, 9M24 revenue of S\$643m (+20% yoy) accounted for 75% of our full-year forecast.
- Revenue growth sustained across all segments.** 3Q24 revenue saw a 15% yoy growth, mainly from higher electrification revenue (+22% yoy) on faster-than-expected project execution in the US for two projects. This was partially offset by the hurricane season in the US, which led to offshore project execution delay in the second half of Sep 24. Communications revenue also rose 12% yoy due to higher revenues in the government sector and retail industry in Australia, while automation revenue increased 7% yoy from the government sector's revenue growth in the Asia Pacific region.
- Muted 3Q24 order wins...** 3Q24 order wins came in 38% lower yoy at S\$187m (-8% qoq), in line with our expectation as 9M24 order wins formed 76% of our forecast. This was largely due to fewer order wins in the electrification segment (-57% yoy), as one-off major projects were secured in 3Q23. The communications segment also had lower order intake (-9% yoy), as a result of a major contract secured in 3Q23.
- ...but 4Q24 order outlook seems promising.** In the first half of Nov 24, CSE announced three major contract wins totalling around S\$129m in the US, slated for execution from 2024 to 2026. These fall under CSE's electrification business and reflect its strengthening position to capture demand in the space.

KEY FINANCIALS

Year to 31 Dec (S\$m)	2022	2023	2024F	2025F	2026F
Net turnover	558	725	860	823	889
EBITDA	22	54	66	65	69
Operating profit	8	38	45	44	49
Net profit (rep./act.)	5	23	22	29	33
Net profit (adj.)	5	23	22	29	33
EPS (S\$ cent)	0.9	3.7	3.2	4.3	4.9
PE (x)	49.2	12.0	13.6	10.1	9.0
P/B (x)	1.3	1.3	1.2	1.2	1.1
EV/EBITDA (x)	16.6	6.7	5.6	5.7	5.3
Dividend yield (%)	6.3	6.3	6.3	6.3	6.3
Net margin (%)	0.9	3.1	2.5	3.6	3.7
Net debt/(cash) to equity (%)	34.0	35.2	22.3	8.8	1.9
Interest cover (x)	4.2	5.4	9.9	10.1	11.3
ROE (%)	2.4	10.5	9.5	11.6	12.5
Consensus net profit	-	-	24	32	37
UOBKH/Consensus (x)	-	-	0.89	0.91	0.89

Source: CSE Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$0.44
Target Price	S\$0.59
Upside	+34.1%

COMPANY DESCRIPTION

CSE Global provides systems integration and information technology solutions, computer network systems, and industrial automation. The company also designs, manufactures, and installs management information systems.

STOCK DATA

GICS sector	Information Technology
Bloomberg ticker:	CSE SP
Shares issued (m):	706.4
Market cap (S\$m):	310.8
Market cap (US\$m):	230.8
3-mth avg daily t'over (US\$m):	0.8

Price Performance (%)

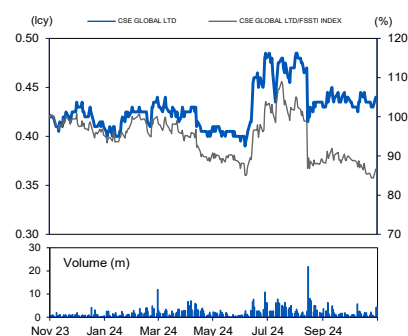
52-week high/low S\$0.495/S\$0.390

1mth	3mth	6mth	1yr	YTD
0.0	(6.4)	10.0	2.3	2.3

Major Shareholders

Major Shareholders	%
Temasek Hldgs	23.0
FMR LLC	10.0
FY24 NAV/Share (S\$)	0.36
FY24 Net Debt/Share (S\$)	0.08

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **Monitoring measures in place to mitigate execution risk.** Regarding the arbitration proceedings in 3Q24 that were mentioned in our previous note, management shared that it will tighten control and governance. CSE's Audit and Risk Committee has put a checklist in place for all subsidiaries and contracts to comply with. Additionally, management will ensure that more frequent monitoring of projects is conducted.
- **Strong performance backed by robust orderbook.** CSE continues to enjoy strong order wins, with order intake of S\$565m in 9M24. Orderbook reached S\$634m, signalling a healthy pipeline for the coming quarters. CSE continues to embark on its growth strategy through capitalising on emerging trends like electrification and decarbonisation, while pursuing acquisitions in the critical communications space in the Americas region. Moving forward, CSE will also continue to focus on data centre and automation projects to seize emerging market prospects.
- **Dividend yield is attractive.** We expect CSE to maintain its full-year dividend at 2.75 S cents/share for 2024, translating to an above-average dividend yield of about 6.3% vs the FSSTI's of around 4.0%.

EARNINGS REVISION/RISK

- We maintain our earnings forecasts.

VALUATION/RECOMMENDATION

- **Maintain BUY with an unchanged target price of S\$0.59.** Our target price is pegged to 13x 2025F PE (based on +1SD above mean).

SHARE PRICE CATALYST

- Large infrastructure project wins.
- Accretive acquisitions.

ORDER INTAKE BY BUSINESS

Year to 31 Dec (S\$m)	3Q24	3Q23	yoy % chg
Electrification	78.3	183.8	(57.4)
Communications	60.5	66.4	(8.9)
Automation	47.8	49.4	(3.3)
Total	186.7	299.7	(37.7)

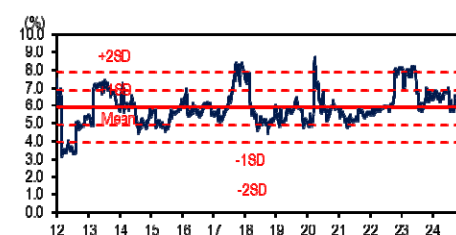
Source: CSE, UOB Kay Hian

FORWARD PE BAND SINCE 2016



Source: Bloomberg, UOB Kay Hian

10-YEAR DIVIDEND YIELD BAND



Source: Bloomberg, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (\$m)	2023	2024F	2025F	2026F
Net turnover	725.1	860.1	823.5	889.4
EBITDA	54.4	65.9	64.7	69.4
Deprec. & amort.	16.9	20.7	20.7	20.7
EBIT	37.6	45.2	43.9	48.7
Total other non-operating income	1.3	(10.5)	0.0	0.0
Associate contributions	(0.0)	0.0	0.0	0.0
Net interest income/(expense)	(10.1)	(6.7)	(6.4)	(6.1)
Pre-tax profit	28.8	28.1	37.5	42.5
Tax	(6.3)	(6.2)	(8.3)	(9.4)
Minorities	0.1	0.0	0.0	0.0
Net profit	22.5	21.9	29.3	33.2
Net profit (adj.)	22.5	21.9	29.3	33.2

BALANCE SHEET

Year to 31 Dec (\$m)	2023	2024F	2025F	2026F
Fixed assets	70.3	62.5	53.8	45.4
Other LT assets	128.3	123.5	118.6	113.7
Cash/ST investment	39.4	60.7	92.6	110.2
Other current assets	361.6	426.1	408.3	440.3
Total assets	599.6	672.7	673.3	709.5
ST debt	95.9	95.9	95.9	95.9
Other current liabilities	239.8	282.1	270.8	291.2
LT debt	19.5	19.5	19.5	19.5
Other LT liabilities	28.4	28.4	28.4	28.4
Shareholders' equity	216.1	246.1	258.0	273.8
Minority interest	(0.1)	0.7	0.7	0.7
Total liabilities & equity	599.6	672.7	673.3	709.6

CASH FLOW

Year to 31 Dec (\$m)	2023	2024F	2025F	2026F
Operating	55.9	27.6	63.5	49.5
Pre-tax profit	28.8	28.1	37.5	42.5
Tax	(6.6)	(6.2)	(8.3)	(9.4)
Deprec. & amort.	16.9	20.7	20.7	20.7
Associates	(0.0)	0.0	0.0	0.0
Working capital changes	6.5	(22.1)	6.4	(11.5)
Non-cash items	(0.1)	0.0	0.0	0.0
Other operating cashflows	10.4	7.1	7.1	7.1
Investing	(24.4)	(14.4)	(14.2)	(14.5)
Capex (growth)	(17.9)	(7.3)	(7.1)	(7.4)
Investments	0.0	0.0	0.0	0.0
Proceeds from sale of assets	1.3	0.0	0.0	0.0
Others	(7.8)	(7.1)	(7.1)	(7.1)
Financing	(16.8)	8.5	(16.9)	(16.9)
Dividend payments	(16.9)	(14.7)	(16.9)	(16.9)
Proceeds from borrowings	0.0	0.0	0.0	0.0
Loan repayment	0.1	0.0	0.0	0.0
Others/interest paid	0.0	23.2	0.0	0.0
Net cash inflow (outflow)	14.7	21.7	32.4	18.0
Beginning cash & cash equivalent	24.1	39.4	60.7	92.6
Changes due to forex impact	(0.4)	(0.4)	(0.4)	(0.4)
Ending cash & cash equivalent	39.4	60.7	92.6	110.2

KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	7.5	7.7	7.9	7.8
Pre-tax margin	4.0	3.3	4.6	4.8
Net margin	3.1	2.5	3.6	3.7
ROA	4.1	3.4	4.3	4.8
ROE	10.5	9.5	11.6	12.5
Growth				
Turnover	30.0	18.6	(4.3)	8.0
EBITDA	147.0	21.1	(1.9)	7.3
Pre-tax profit	246.5	(2.4)	33.8	13.3
Net profit	372.0	(2.8)	33.8	13.3
Net profit (adj.)	372.0	(2.8)	33.8	13.3
EPS	309.6	(11.4)	33.8	13.3
Leverage				
Debt to total capital	34.8	31.9	30.9	29.6
Debt to equity	53.4	46.9	44.7	42.2
Net debt/(cash) to equity	35.2	22.3	8.8	1.9
Interest cover (x)	5.4	9.9	10.1	11.3

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